

R 161546Z DEC 08
FM AMEMBASSY COPENHAGEN
TO SECSTATE WASHDC 4658
DEPT OF TREASURY WASHDC
USDOC WASHDC
CIMS NTDB WASHDC

UNCLAS COPENHAGEN 000668

STATE FOR EB/IFD/OIA

E.O. 12958: N/A

TAGS: [EINV](#) [EFIN](#) [ETRD](#) [ELAB](#) [KTDB](#) [PGOV](#) [USTR](#) [OPIC](#) [DA](#)

SUBJECT: 2009 INVESTMENT CLIMATE STATEMENT: DENMARK

REF: STATE 123907

11. Following is the 2009 Investment Climate Statement (ICS09). ICS09 will form part of the 2009 Country Commercial Guide for Denmark.

12. INVESTMENT CLIMATE - Denmark

Introduction

Denmark is characterized by political, economic and regulatory stability. The macroeconomic environment is sound and the investment climate is favorable. Denmark is situated strategically, linking continental Europe with the Nordic and Baltic countries. The transport and communications infrastructure are efficient. Denmark is among the world's leaders in industries such as information technology, life sciences, energy technology, and shipping.

A.1. Openness to Foreign Investment:

Denmark is a small country with an open economy. Denmark is highly dependent on foreign trade and international cooperation. Danish trade and investment policies are very liberal and encourage foreign investment.

In general, investment policies are forward-looking and aimed at fostering and developing businesses, especially in high-growth sectors. According to the 2008 business environment survey from the Economist Intelligence Unit, Denmark has retained its position as the most attractive nation for foreign investment. Several factors are included in the survey and Denmark scores top marks in various categories such as the political and institutional environment, macroeconomic stability, policy towards private enterprise, foreign investment policy, financing and infrastructure.

According to the Danish central bank, the total stock of foreign direct investment in Denmark was Danish Kroner (DKK) 668.7 billion (current prices, exclusive of pass-through investments) in 2007, corresponding to 39 percent of GDP. U.S. investments of DKK 46.8 billion in Denmark accounted for 7 percent of total FDI stock in 2007. The United States is the fourth largest foreign investor in Denmark.

The government agency "Invest in Denmark" is part of the Danish Trade Council and is situated within the Ministry of Foreign Affairs. The agency provides detailed information to potential investors. The website for the agency is www.investindk.com. Greenland Home Rule government's trade promotion agency, Greenland Expo, also has information for potential investors in Greenland. The website for the agency is www.greenlandexpo.com.

The central and the regional governments encourage foreign investment on a national-treatment basis. There is no mandatory screening of foreign investment.

According to the Danish Competition Act, the Competition

Authorities require notification of mergers and takeovers if the combined turnover of the participating companies exceeds DKK 50 million. However, notification is not required if only one of the participating companies has turnover of more than DKK 10 million. The EU Commission must approve very large mergers.

There are certain restrictions on foreigners' acquisition of real estate in Denmark. EU citizens and companies from EU member states can purchase any type of real estate (except vacation properties) without prior authorization from the authorities. However, companies not domiciled in the EU and non-EU citizens who are not living in Denmark or have not previously been living in Denmark for at least five years in total, can only acquire real estate with the permission of the Danish Ministry of Justice. Permission is freely given to people with a Danish residency permit, except with regard to purchases of vacation properties. Purchases of designated vacation properties are restricted to citizens of Denmark.

See section A.6. regarding limits on foreign ownership and control in certain sectors.

A.2. Conversion and Transfer Policies:

Denmark has not introduced the Euro currency although it meets the EU's economic criteria for membership. Danish voters twice (in 1992 and 2000) turned down the introduction of the Euro. The Danish reservation concerning Euro participation can only be abolished by referendum. Although the current government has broached the possibility of holding another referendum on Euro adoption, a referendum has not yet been scheduled.

Denmark conducts a fixed exchange rate policy with the Danish Kroner linked closely to the Euro within the framework of ERM II. The Danish Kroner has a fluctuation band of +/- 2.25 percent of the central rate of DKK 746.038 per 100 Euro.

There are no restrictions on converting or transferring funds associated with an investment into or out of Denmark. Policies are intended to facilitate the free flow of capital and to support the flow of resources in the product and services markets.

Foreign investors can obtain credit in the local market at normal market terms, and a wide range of credit instruments is available.

A.3. Expropriation and Compensation:

By law, private property can only be expropriated for public purposes, in a non-discriminatory matter, with reasonable compensation, and in accordance with established principles of international law. There have been no recent expropriations of significance in Denmark and there is no reason to believe that there may be significant expropriations in the near future.

A.4. Dispute Settlement:

There have been no major disputes over investment in Denmark in recent years. The judicial system is extremely well-regarded and fair. The legal system is independent of the legislative branch of the government and is based on a centuries-old legal tradition. It includes written and consistently applied commercial and bankruptcy laws, and secured interests in property are recognized and enforced. The World Economic Forum's 2008-2009 Global Competitiveness Report, which ranks Denmark as the world's third most competitive economy, characterizes Denmark's judicial system as a notable competitive advantage. Denmark is ranked as the country with the world's most efficient legal framework. In addition, Denmark ranks highly among the evaluated countries for its protection of property rights (#2) and intellectual property protection (#3).

Monetary judgments under the bankruptcy law are made in freely convertible Danish Kroner. The bankruptcy law addresses creditors' claims against a bankruptcy in the following order: (1) costs and debt accrued during the treatment of the bankruptcy; (2) costs, including the court tax, relating to attempts to find a solution other than bankruptcy; (3) wage claims and holiday pay; (4) excise taxes owed to the government; and (5) all other claims.

Denmark is a member of the International Center for the Settlement of Investment Disputes (ICSID) and is a party to the 1958 Convention on the Recognition and Enforcement of Foreign Arbitral Awards. Subsequent Danish legislation makes international arbitration of investment disputes binding in Denmark. In addition, Denmark is a party to the 1961 European Convention in International Commercial Arbitration and to the 1962 agreement relating to the application of this Convention.

A.5. Performance Requirements/Incentives:

Denmark adheres to the WTO Agreement on Trade-related Investment Measures (TRIMs) and performance requirements are applied only in connection with investment in hydrocarbon exploration, where concession terms normally require a fixed work program, including seismic surveys, and in some cases exploratory drilling, consistent with applicable EU directives.

Performance requirements are mostly designed to protect the environment, mainly through encouraging reduced energy and water use. Several environmental and energy requirements are systematically imposed on households as well as businesses in Denmark, both foreign and domestic. For instance, Denmark was the first of the EU countries, in January 1993, to introduce a carbon dioxide (CO₂) tax on business and industry. However, there are certain reimbursement schemes and subsidy measures to reduce the costs for businesses, thereby safeguarding Danish competitiveness.

Performance incentives are available to both foreign and domestic investors. For instance, investment by foreign and domestic investors in designated regional development areas may take advantage of certain grants and access to preferential financing. Investments in Greenland may be eligible for incentives as well.

Denmark does not offer favored treatment to foreign investors. Foreign subsidiaries located in Denmark can participate in government-financed or subsidized research programs on a national-treatment basis.

A.6. Right to Private Ownership and Establishment:

A foreign or domestic private entity may freely establish, own, and dispose of a business enterprise in Denmark. The capital requirement for establishing a corporation (A/S) is DKK 500,000 (approximately USD 90,000 per mid-December 2008 exchange rate) and for establishing a private limited liability company (ApS) DKK 125,000 (approximately USD 22,700). No requirements apply as to the residency of directors and managers of A/S or ApS.

Since October 2004, a private entity may found a European public limited company (SE company). The legal framework of the SE company is to a large degree subject to national company law, but it is possible to change the nationality of the company without liquidation and re-founding. An SE company must be registered at the Danish Commerce and Companies Agency if the official address of the company is in Denmark. The minimum capital requirement is EUR 120,000.

Like most other countries, Denmark imposes restrictions on establishing companies providing professional services (e.g., legal, accounting, auditing, and medical services) in Denmark. Danish professional certification and/or local

Danish experience to practice in Denmark are required. In some instances, Denmark may accept an equivalent professional certification from other EU or Nordic countries on a reciprocal basis.

Establishment of new, large department stores outside city centers is on a non-discriminatory economic needs-test basis and has to be approved by the local authorities.

Ownership restrictions are applied in the following sectors:

Hydrocarbon exploration: Requires 20 percent Danish government participation, but on a "non-carried interest" basis.

Defense materials: Amendments to the legislation concerning foreign ownership of defense companies came into effect as of July 2006. The new law (L503 of July 6, 2006) replaces previous ownership restrictions with control. The Minister of Justice has to approve foreign ownership of more than 40 percent of the equity or more than 20 percent of the voting rights in a defense company doing business in Denmark. The approval will be granted unless there are foreign policy considerations or security issues weighing against approval.

Aircraft: Unless a waiver is granted, non-EU physical and legal persons may not directly own or exercise control over aircraft registered in Denmark.

Ships registered in the Danish International Ships Register (DIS) must, as a general rule, be Danish-owned. Ships owned by Danish citizens, Danish partnerships or Danish limited liability companies are eligible for registration. Furthermore, ships owned by EU or EEA entities with a genuine link to Denmark are eligible for registration. Also, foreign companies with a major Danish influence can register a ship in the DIS.

A.7. Protection of Property Rights:

Property rights in Denmark are well-protected by law. Intellectual property protections in Denmark are particularly well-regarded. Denmark adheres to key international conventions and treaties concerning protection of property rights. The WTO Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) has been ratified. The WIPO internet treaties: WIPO Copyright Treaty (WCT) and WIPO Performances and Phonograms Treaty (WPPT), have been signed but not yet ratified because Denmark is awaiting a joint EU ratification process.

Real estate is for the most part financed through the well-established Danish mortgage bond credit system, the security of which almost compares to that of government bonds.

However, to comply with the covered bond definition in the EU Capital Requirements Directive (CRD), the Danish mortgage banking regulation was amended effective July 1, 2007.

With the amended Danish mortgage banking regulation, commercial banks now have the same opportunities as mortgage banks and ship-financing institutions to issue covered bonds. Only issuers that have been granted a license from the Danish financial supervisory authority are able to issue Danish covered bonds.

Secured interests in property are recognized and enforced in Denmark. All mortgage credits in real estate are recorded in local public registers of mortgages. Except for interests in cars and commercial ships, which are also publicly recorded, other property interests are generally unrecorded. The local public registers are reliable system of recording security interests.

A.8. Transparency of the Regulatory System:

Danish laws and policies granting national treatment to foreign investments are designed to support the Danish goal

of increasing FDI in Denmark.

Denmark applies high standards with regard to health, environment, safety, and labor laws. These policies are universally applied and are not used to impede foreign investment.

Danish corporate law is generally in conformity with current EU legislation.

The legal, regulatory and accounting systems are relatively transparent and in accordance with international standards.

Bureaucratic procedures are streamlined and transparent, and proposed laws and regulations are published in draft form for public comment.

In June, 2007, the Danish Parliament enacted a major bill on Controlled Foreign Company (CFC) taxation and private equity funds. The bill reduced the corporate tax rate from 28 percent to 25 percent. The bill also limited tax speculation for private equity funds. Additionally, the bill capped deductibility of net financing costs and changed taxation of dividend and liquidation distributions.

Furthermore, the Bill included amendments to the taxation of CFCs indirectly forced upon the Danish government by a European Court of Justice (ECJ) ruling in the British Cadbury-Schweppes case. The Danish rules now include specific criteria for when CFC taxation will be triggered, such as the relative size of financial assets and CFC income.

A.9. Efficient Capital Markets and Portfolio Investment:

Denmark has fully liberalized foreign exchange flows, including those for direct and portfolio investment purposes. Credit is allocated on market terms and is freely available.

The Danish banking system is under the regulatory oversight of the Financial Supervisory Authority. Like banks in many other countries, Danish banks experienced significant turbulence in 2008. Two small/mid-sized banks failed, and other banks merged to avoid collapse. In October 2008, the Danish Parliament passed legislation that calls for all private banks and the Danish government to jointly finance a "safety net" program that provides unlimited guarantees for bank deposits and certain classes of bank creditors through September 2010. In spite of this legislation, in late 2008 some local businesses reportedly complained of tight lending practices and a difficulty in obtaining bank financing.

A possible barrier for foreign banks in Denmark is that the national payment system, PBS, is jointly owned by Danish banks and that it is difficult for foreign banks to gain access. The assets of the three largest Danish banks, Danske Bank, Nordea Bank Danmark, and Jyske Bank, comprise approximately 75 percent of the total assets in the Danish banking sector. The major Danish banks are rated by international agencies and the creditworthiness is very high by international standards.

Differentiated voting rights - A and B stocks - are used to some extent and several Danish companies are controlled by foundations, which can restrict potential hostile takeovers including foreign takeovers.

The Danish stock market functions efficiently and in 2005, the Copenhagen Stock Exchange became part of the integrated Nordic and Baltic market place, OMX Exchanges, headquartered in Stockholm. Besides Stockholm and Copenhagen, OMX also includes the stock exchanges in Helsinki, Tallinn, Riga and Vilnius. In order to increase the access to capital for primarily small companies, the OMX in December 2005 opened a Nordic alternative marketplace -- "First North" -- in Denmark.

A.10. Political Violence:

Denmark is a politically stable country. Incidents involving politically-motivated damage to projects or installations are very rare in Denmark.

A.11. Corruption:

According to the 2008 Corruption Perceptions Index by Transparency International, Denmark is the least corrupt country in the world. Transparency International has local representation in Denmark.

Corruption is covered under the Danish Penal Code and the Ministry of Justice is responsible for combating corruption. Penalties for violations range from fine to imprisonment of up to four years for a private individual's involvement and up to six years for a public employee's involvement. Since 1998, Danish businesses cannot claim a tax deduction for the cost of bribes paid to officials abroad. Denmark is a signatory of the OECD Convention on Combating Bribery.

A.12. Bilateral Investment Protection Agreements:

Denmark has concluded investment protection agreements with the following 46 countries: Algeria, Albania, Argentina, Belarus, Bolivia, Bulgaria, Czech Republic, Chile, China, Croatia, Egypt, Ethiopia, Estonia, Ghana, Hong Kong, Hungary, India, Indonesia, Kuwait, Latvia, Lithuania, Malaysia, Mexico, Mongolia, Mozambique, Nicaragua, North Korea, Pakistan, Peru, the Philippines, Poland, Romania, Russia, Slovakia, Slovenia, South Korea, Sri Lanka, South Africa, Tanzania, Tunisia, Turkey, Uganda, Ukraine, Venezuela, Vietnam, and Zimbabwe. Further, Denmark has signed Investment Protection Agreements with Bosnia Herzegovina, Brazil, Cuba, Laos, and Morocco, but these agreements await ratification.

The U.S.-Danish Bilateral Convention for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income was concluded in 1999 and came into force on March 31, 2000. In May 2006, a protocol was signed to amend the existing tax treaty between Denmark and the United States. The most important aspect of the protocol relates to the elimination of withholding tax on cross-border dividend payments.

A.13. OPIC and Other Investment Insurance Programs:

OPIC programs are not applicable to U.S. investments in Denmark, but may be used by at least 95 percent U.S.-owned subsidiaries in Denmark to support their investments in qualifying countries.

Denmark is a member of the Multilateral Investment Guarantee Agency (MIGA).

A.14. Labor:

The Danish labor force is generally stable, well-educated and efficient. Language skills are good and English is considered a natural second language among a very high proportion of Danes. Furthermore, the Danish labor market is flexible. Danish rules on the hiring and firing of employees are not burdensome, which enables employers to adjust the workforce quickly to changing market conditions.

The Danish labor force amounts to approximately 2.9 million persons. Denmark's EU-harmonized unemployment rate was about 3 percent in 2008, which is very low both historically as well as compared to the EU and OECD averages. There are labor market pressures in various parts of the manufacturing and the services sector as well as in the construction sector.

The public sector in Denmark is large and accounts for approximately 36 percent of the employment at full-time

equivalence.

The labor force participation rate for women is among the highest in the world. In 2008, almost 75 percent of working-age women participated in the labor force and the employment rate was 71 percent. The male labor participation rate and employment rate were 82 and 79 percent respectively.

The Danish labor force is highly organized, with approximately 80 percent belonging to a union. However, labor disputes and strikes occur only sporadically. As a general rule, labor/management relations are excellent, based on dialogue and consensus rather than confrontation. Working conditions are laid down in a rather complex system of legislation and organizational agreements. Many aspects of wage and working conditions are determined through collective bargaining rather than regulated by legislation.

The contractual workweek for most wage earners is 37 hours. By law, employees are entitled to five weeks of paid annual leave. However, the majority of the labor force has the right to six weeks of paid annual leave through labor market agreements.

Denmark has well functioning unemployment insurance and sick pay schemes, which are not financed by employers. Maternity leave in Denmark is 52 weeks and employers are obliged to pay salary for at least 14 weeks.

Danish wages are high by international standards, and have contributed to the use of capital-intensive technologies. However, employer contributions to social security (including health care) are very low. As a result, total employee costs for employers are lower in Denmark than in many other industrialized countries.

In general, work permits are not difficult to obtain for foreign managerial staff. However, permits for non-managerial workers from countries outside the EU (citizens of EU countries do not require work permits) and the Nordic countries are granted only if substantial professional or labor-related conditions warrant it.

Special rules, detailed in the so-called Job Card Scheme, apply to certain professional fields experiencing a shortage of qualified manpower. Foreigners who have been hired in the designated fields will be immediately eligible for residence and work permits. In 2008, professions covered by the Job Card Scheme include engineers, scientists, doctors, nurses, IT specialists, economists, lawyers and accountants. The Job Card Scheme extends to positions with an annual pay of DKK 450,000, regardless of the field or specific nature of the job.

Denmark also introduced a Green Card scheme to issue six-month residence permits to foreign nationals, allowing them to seek employment in Denmark. Permits are issued based on an individual evaluation using a point system. However, a residence permit issued under the Green Card scheme is not a work permit. If offered a job, the applicant must apply for a work permit. A work permit is only granted for research and specialist positions, as well as positions covered by the above-mentioned Job Card scheme. Generally, personal income tax rates in Denmark are among the highest in the world. However, foreign employees and researchers may be subject to a favorable 25 percent gross tax rate in the first three years of working in Denmark. Compared with the general Danish progressive income tax system, this is an attractive incentive. Further information can be obtained from the Danish embassies or from the Danish Immigration Service (www.nyidanmark.dk). Denmark adheres to the ILO conventions protecting worker rights.

A.15. Foreign Trade Zones/Free Ports:

The only free port in Denmark is the Copenhagen Free Port,

which is operated by the Port of Copenhagen. The Port of Copenhagen and the Port of Malmo (Sweden) in 2001 merged their commercial operations, including the free port activities, in a joint company named CMP. The facilities in the free port are mostly used for tax-free warehousing of goods imported, for exports, in transit trade and for distribution. Tax and duties are not payable until cargo leaves the Free Port. Also, the processing of cargo, for example, and the preparation and finishing of imported automobiles for sale, can freely be set up in the Free Port. Manufacturing operations can be established with the permission of the customs authorities, which is granted if special reasons exist for having the facility in the Free Port area. The Copenhagen Free Port welcomes foreign companies establishing warehouse and storage facilities.

A.16. Foreign Direct Investment Statistics:

The total stock of FDI in Denmark corresponded to 39 percent of GDP in 2007 (current prices, exclusive of pass-through investments). Conversely, Danish investment abroad comprised 47 percent of GDP in 2007. The largest foreign investor in Denmark is Sweden followed by Luxembourg, the Netherlands and the United States. U.S. investment accounted for 9 percent of the total 2006 FDI stock in Denmark, but declined to 7 percent in 2007 due in part to a weakened U.S. dollar.

Major U.S. direct investment in Denmark is in telecommunications, information technology, biotechnology, oil exploration, financial services and facility services. During recent years, several U.S.-based private equity funds have invested in Danish firms, such as ISS, the Legoland Parks, and TDC.

Approximately 375 U.S. companies have subsidiaries in Denmark, of which several are regional headquarters.

The main destinations for Danish FDI are Sweden (12 percent), Norway (10 percent), the United States (9 percent), and Germany (8 percent). The EU held 55 percent of the stock in 2007.

Following are tables for foreign direct investment at current prices. Pass-through investments are not included since they have no or very little real-economic significance for the pass-through country. The source of data is the Danish Central Bank, www.nationalbanken.dk, based on end-year exchange rates of DKK 5.66 = 1 USD in 2006 and DKK 5.07 = 1 USD in 2007.

Foreign Direct Investment in Denmark

Table 1. FDI in Denmark, STOCK

			2006	2007
Total DKK, billions			633.6	668Q
Total USD, billions	Q	Q	111.6	131.7
% of GDP			38%	39%
% of Total, Origin:			2006	2007
USA			9%	7%
EU			71%	72%
-Sweden			23%	25%
-Luxembourg			12%	11%
-Netherlands			9%	10%
-United Kingdom			8%	8%
-Germany			5%	5%
Norway			6%	6%
% of Total, Sector:			2006	2007
(Sector of the Danish enterprise)				
Agriculture, Fisheries,			3%	3%
Raw Materials				

Manufacturing	14%	14%
Energy and water supply, and construction	2%	2%
Trade, Hotels, etc.	16%	15%
Transport, Post, Telecommunication	9%	11%
Financial Intermediation	17%	15%
Business Service	32%	32%

Danish Direct Investment Abroad

Table 2. Danish Direct Investment Abroad, STOCK

	2006	2007
Total DKK, billions	731.2	795.2
Total USD, billions	129.2	157.0
% of GDP	45%	47%
% of Total, Destination:	2006	2007
USA	9%	9%
EU	61%	55%
-Sweden	13%	12%
-France	4%	4%
-Netherlands	6%	5%
-United Kingdom	9%	8%
-Germany	11%	8%
Norway	8%	10%
% of Total, Sector: (Sector of the Danish enterprise)	2006	2007
Agriculture, Fisheries, Raw Materials	6%	6%
Manufacturing	23%	22%
Energy and Water Supply, and construction	2%	2%
Trade, Hotels, etc.	10%	9%
Transport, Post, Telecommunication	15%	15%
Financial Intermediation	8%	10%
Business Service	29%	29%

Major FDI in Denmark by U.S. companies:

Microsoft	IT
IBM	IT
HP/Compaq	IT
Intel	IT
Computer Sciences Corp., USA	IT
ADC Telecommunications Inc.	IT
Motorola	Telecom
Texaco	Energy
Amerada Hess	Hydrocarbon exploration
Ashland	Road Construction
Masco	Furniture and Sanitary
Fittings	
York Holding Corp.	Refrigerating Equipment
Tenneco Inc.	Automotive
3M	Tapes, Health Care and

Pfizer	Pharmaceuticals
Merck, Sharp & Dohme	Pharmaceuticals
Eli Lilly	Pharmaceuticals
Sauer Inc.	Pharmaceuticals
CP Kelco	Fluid Power
Doane Pet Care Co.	Hydrocolloids
GE Capital	Pet Food
Biogen IDEC	Financial Services
	Biotechnology

Among the biggest U.S. corporate takeovers in Denmark are Microsoft's acquisition of the Danish software company Navision in 2002 (USD 1.2 billion) and IBM's acquisition of Maersk Data in 2004 (estimated USD 400 million).

In May 2007, Greenland Home Rule and Alcoa signed a memorandum of understanding to study the feasibility of the construction of an aluminum smelter and associated hydropower generation and transmission facilities in Greenland. Upon completion, the Alcoa investment (estimated USD 2.5 billion) would be the largest U.S. direct investment ever in the Kingdom of Denmark. U.S. companies ExxonMobil and Chevron also own approximately 48 percent of a partnership that, in October 2007, was awarded licenses for the exploration and exploitation of hydrocarbons off the coast of Western Greenland.

Other FDIs in Denmark mostly come from Denmark's neighboring countries or other nearby countries, including Sweden, Iceland, Norway, Finland, Germany, and the United Kingdom. Most of those nations' major companies, and numerous smaller ones, have a presence in Denmark, either as regional headquarters, sales/marketing offices or in production. Some foreign companies with large investments in Denmark are Statoil (Norway); L.M. Ericsson (Sweden); Nordea (Sweden); Vattenfall (Sweden), APV (United Kingdom); Bayer (Germany), and Q8 Oil (Kuwait).

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